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C O N F I D E N T I A L SECTION 01 OF 04 SINGAPORE 003294

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SUBJECT: SINGAPORE PLAYS THE INDIA CARD

REF: A. SINGAPORE 3027

[1B](#). STATE 171140

Classified By: Amb. Franklin L. Lavin, Reasons 1.4(b)(d)

[¶11.](#) (C) Summary: Singapore is actively cultivating a closer political, military, and economic relationship with India. The GOS values India's "strategic weight" and hopes it can balance China's rising influence in the region. Singapore's defense cooperation with India has taken off this year, with the first-ever joint air exercise; new army exercises are planned for next year. Both countries are on the verge of signing a "Comprehensive Economic Cooperation Agreement," covering investment, services, and trade. Bilateral trade and investment have also been growing rapidly in the last several years and more Indian firms are using Singapore as a regional base. Singapore has had temporary bouts of "India fever" before, but this time the substance matches the rhetoric. End Summary.

Making Friends

[¶12.](#) (C) Singapore is actively cultivating a closer political, military, and economic relationship with India, which will serve a number of different goals. As a small country with large neighbors, Singapore tries to draw in outside powers (such as the U.S.) to give them a stake in Singapore's future. It also seeks a broad range of defense contacts and exchange opportunities for its armed forces and is especially interested in gaining access to training grounds given Singapore's limited territory. For its economic development, Singapore can not rely on its small domestic market and has to gain and secure access to foreign markets for trade and investment. It also wants to bolster its role as a regional hub for trade, transport, and financial services. From the Singapore perspective, India offers a potential strategic counter-balance to growing Chinese influence in Southeast Asia, a defense partner, a large potential trade and investment market, and a user of Singapore's trade and financial services.

(Another) Strategic Partner

[¶13.](#) (C) India is valued for its "considerable strategic weight," according to Minister of Defense Teo Chee Hean. One MFA official noted that Singapore hopes India can contribute to regional peace and stability and use its weight to balance China's growing economic and political clout in the region. Singapore has also encouraged its ASEAN partners to look to India as a source of "geopolitical balance" for Southeast Asia and it took the lead in bringing India into the ASEAN Regional Forum (ARF). The GOS is also concerned about China's ability to dominate future regional groupings, such as the proposed East Asia Community, and would prefer to expand the membership to include India, among others. In addition to its own bilateral FTA (see para 8 below), Singapore is an enthusiastic supporter of the ASEAN-India FTA.

Accelerating Links

[¶14.](#) (SBU) Singapore's interest in India dates back to the early 1990's, according to academic and MFA contacts. During the Cold War, bilateral ties were limited due to India's close ties with the Soviet Union and its support for Vietnam's occupation of Cambodia, which ASEAN opposed. After those impediments were removed, Singapore-India relations started to improve. In 1994, then Prime Minister Goh Chok Tong visited India, the first of five visits over ten years. Indian PM Narasimha Rao returned the favor in 1994 and announced India's growing interest in Southeast Asia in his "Look East" policy. After that fast start, however, there was little progress on deepening ties until the last two years.

Defense Ties Take Off

[¶15.](#) (C) In 2003, India and Singapore signed a Defense Cooperation Agreement to facilitate personnel exchanges, visits, and training exercises. Both armed forces have conducted joint naval exercises for the last decade, but the scope of cooperation has expanded rapidly this year. In

October, the Singapore Air Force (RSAF) held its first air exercise with India. Dubbed Sindex-04, the twenty day exercise in Gwalior, India included six F-16 C/D jets from Singapore and Su-30s, Mirage 2000s, Mig-29s and Mig-27s from India. Chief of Staff (Air Staff) BG Ng Chee Khern told the Embassy that Sindex-04 was the foundation for a long-term relationship with India. The Indian Air Force plans to earmark an air base in Jaipur, in northern India, for the RSAF to carry out flight training and exercises but it would not be a permanent facility for the RSAF, according to a press report.

16. (C) During an October visit to India, Deputy Prime Minister Tony Tan announced that the two armed forces would conduct their first army exercises in India early next year. Singapore is always interested in training opportunities in other countries, noted one MFA official. India's Deputy High Commissioner, Ravi Bangar, told us that India welcomes the chance to practice in different environments and with different types of equipment to promote inter-operability. He added that there would be more ship visits by Indian naval vessels and a joint naval exercise next year in the South China Sea.

#### Law Enforcement

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17. (C) India and Singapore established a joint working group on terrorism and organized crime in 2003 (chaired at the PermSec level), according to Bangar. Furthermore, both sides are close to signing a Mutual Legal Assistance Treaty on criminal cases. Bangar said the negotiations went very smoothly with near completion in only three rounds of talks. (Comment: The two sides share a common legal heritage since they were both UK colonies and, at one time, Singapore was administered from India. This undoubtedly helped the talks and it is likely that the treaty is not as comprehensive as the one we are negotiating with Singapore. India was comfortable with Singapore's list-based approach to limiting crimes covered under the agreement, said Bangar. End Comment.)

#### Trade Agreement Coming Soon

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18. (C) In 2002, Singapore proposed an FTA with India and last year the two sides initiated negotiations for a "Comprehensive Economic Cooperation Agreement" (CECA), which covers investment and services in addition to trade. After ten rounds of talks, the press reports, they expect to sign the final agreement in the near future. (Note: Singapore Minister for Trade and Industry Lim Hng Kiang recently told the Ambassador they were not so close, commenting completion could take another six months. End Note.) The remaining stumbling block is the protection of foreign investment in India. An MFA official complained that India's tariffs were still too high and it was overly protective of its petroleum sector, but these were not deal breakers. Given Singapore's role as a major transshipment point, both sides eventually agreed that goods shipped from Singapore would have to have at least 40-percent value added to qualify for special treatment.

#### Growing Trade and Investment Ties

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19. (U) Bilateral trade and investment have grown rapidly in the last several years, with India now Singapore's 12th largest trading partner. In 1993, bilateral trade was only USD 1.6 billion. In 2003, it reached USD 4.5 billion and grew 16.2 percent compared with 2002. Through September, this year's bilateral trade has already exceeded the total for all of 2003. Singapore has consistently run a trade surplus with India (USD 1.6 billion in 2003), with top export items overwhelmingly high-tech related.

10. (C) With USD 1.3 billion in investments, Singapore reportedly is one of India's larger foreign investors. During a November visit to Singapore, GOI Trade Minister Kamal Nath said he expected an additional USD 2 billion in investment by Singapore next year in technology, manufacturing, financial services, and aviation. As reported in Ref A, Temasek Holdings has made a big splash in the India market, especially in the past year. The GOS-owned investment arm, run by Prime Minister Lee Hsien Loong's wife Ho Ching, has plowed more than USD 500 million into Indian firms, according to press reports. It has taken minority stakes in banks, pharmaceutical firms, a hospital chain, and a major rice exporter. Manish Kejriwal, managing director of Temasek's India office said they were concentrating on companies and sectors that would be proxies for the Indian economy and those companies that could leverage India's competitive advantages. Given its political links, Temasek's aggressive move into the Indian market may be intended to encourage more risk-averse investors to follow. Smaller firms have been put off by India's high tariffs and red tape

and have usually looked to China first.

Gateway to SE Asia

**¶11. (U)** Singapore is marketing itself as a gateway to Southeast Asia and beyond for Indian firms, pointing to its financial and professional services, sound legal environment, use of English, support network for expatriates, and convenient air links. Emblematic of this rapidly increasing interdependence, a new USD 100 million undersea fiber-optic link between Singapore and Chennai came on-line November 3, increasing Singapore's total connectivity to India by 60 percent, according to press reports, and strengthening its position as an Asia-Pacific telecoms hub.

**¶12. (U)** Some 1,500 Indian firms are operating in Singapore, up from 300 in 2001. Most of the firms are relatively small operations and the expat Indian business community has not coalesced to form its own chamber of commerce. Despite Singapore's ethnic Indian community, firms from India do not have significant business interactions with them, noted Bangar. The firms from India deal more frequently with ethnic Chinese Singaporeans or other multinationals. There are approximately 70,000 Indian nationals working in Singapore. While the majority are in blue collar positions, perhaps 30-40 percent are professionals. Singapore is thus an important source of remittances for India. India High Commission First Secretary C. Rajendiran noted that more Indian banks are entering the Singapore market aggressively to provide remittance services, which in the past they ignored.

**¶13. (U)** Still other indicators show diversifying ties. In August, Meghmani Organics became the first Indian firm to list on the Singapore stock exchange. It raised USD 16.5 million and the offer was over-subscribed three times. Several other firms are reportedly looking at raising capital through Singapore Depository Receipts. The Delhi Public School opened a branch school in Singapore in April 2004 to cater to children of Indian professionals. It has 900 slots and follows in the footsteps of the Indian Central School established in 2002, which already has 700 students.

**¶14. (U)** Air links have also been growing, despite the lack of an open skies agreement. Singapore International Airways (SIA) has increased its service to India from 23 flights a week in 2003 to 38 in 2004. It now has daily flights to Chennai and New Delhi, 12 flights a week to Mumbai, and three a week to Bangalore, Calcutta, and Amritsar. (This still falls short of its level of service to China. For example, SIA has five daily flights to Guangzhou and Hong Kong, as well as three daily flights to Shenzhen and Shanghai.) Singapore is also a growing destination for tourists from India. Approximately 400,000 Indian tourists visit every year. Although their average stay is relatively short, they are some of the highest per capita spenders, Bangar claimed.

Comment

**¶15. (C)** Singapore has had bouts of "India fever" before, which faded when the substance failed to match the rhetoric. In the last two years, however, Singapore and India have made concrete progress in deepening their relationship -- in defense cooperation, investment, and trade. The GOS is sending a concerted message that India is both wanted and needed in Southeast Asia to balance the rising influence of China and to further expand regional economic prosperity. A more robust Singapore-India relationship also serves USG interests. It will demonstrate to ASEAN members that India is a credible alternative economic and defense partner that they can turn to in the face of China's growing power.

LAVIN